UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D.C.

THE CANADIAN TRADE AGREEMENT AND FRUITS AND VEGETABLES

The trade agreement with Canada is intended to give United States growers of fruits and vegetables an opportunity to regain an important share of the Canadian market for their products, according to Secretary of Agriculture, Henry A. Wallace. In the fiscal year 1929-30 that market took about $28,000,000 worth of American products. By 1933-34, the Canadian value of such imports had fallen by about 60 percent to $11,000,000. The import charges contributing to that decline have been scaled down considerably by the agreement.

The Canadian system of seasonal advanced valuations, for duty purposes, has been modified, with a number of items being permanently exempt from such valuation, including the important item of tomatoes. The application of minimum specific duties has been almost completely eliminated, while the basic ad valorem duties on most fruits and vegetables have been reduced to 15 percent from the prevailing rate of 20 percent for fruits and 30 percent for vegetables. A number of items, including both white and sweet potatoes, have been placed on the free list. Oranges have been made free for four winter months, while lemons have been bound on the free list.

The concessions on fruits and vegetables should be especially valuable to those parts of the United States interested in winter and early season products. Those regions whose seasons are closer in line with Canadian seasons are benefited to a somewhat smaller degree. In view of the apparent Canadian tendency toward a more liberal policy with respect to valuations, however, there should be broader opportunities for this latter group in the Canadian market under the agreement.

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Secretary Wallace believes that the American market for most farm products, including fruits and vegetables, will be stimulated by the increase in industrial payrolls expected to result from increased employment because of concessions made by Canada to American industry. Under the prevailing tariff rates, the annual value of dutiable non-farm products exported from this country to Canada dropped from 400 million dollars to 100 millions in 15 years.

Canadian concessions on fresh vegetables cover:

1. A reduction of the basic ad valorem rate from 30 to 15 percent.

2. Cancellation of most of the minimum specific duties applicable during the season when our vegetables compete with Canadian.

3. Advanced valuations are eliminated on most vegetables. On 11, advanced valuations may be continued.

4. Additions to invoice value through advanced valuations, where such valuations are permissable, must be at least 20 percent lower than heretofore.

5. Six vegetables -- potatoes, artichokes, horse-radish, eggplant, okra, and sweet potatoes -- are transferred to the free list.

The effect of the cut in advanced valuations on those vegetables still subject to this system is shown by the fact if the invoice value of imported beans, for example, were 4.5 cents per pound, and the valuation advance 2.5 cents per pound, under the existing system the charge would have been, 30 percent applied to 7 cents (4.5 plus 2.5) plus a "dumping duty" of 2.5 cents (the difference between the total duty value of 7 cents and the invoice value of 4.5 cents) or a total of duties of 4.6 cents per pound. After January 1, beans invoiced at the same value would pay as follows: a duty of 15 percent on 6.5 cents (4.5 cents plus 2) plus 2 cents dumping charge, or a total of 3 cents per pound.

Reductions of this nature, representing a reduction of 50 percent in the ad valorem duty and a reduction of 20 percent in advanced valuations, affect asparagus, beans, beets, cabbage, carrots, cauliflower, celery, cucumbers, lettuce, mushrooms, onions, peas, peppers, rhubarb and spinach.

This concession with respect to vegetables that move from U. S. markets at the same time the Canadian crop is being marketed will be of great importance to producers of vegetables in northern States, such as the New England States, New York, Pennsylvania, New Jersey, Ohio and Michigan.

The Southern and Pacific States, such as Florida, Mississippi, Louisiana, Texas, California, and Oregon will benefit from the low rate of 15 percent ad valorem on off-season fresh vegetables. The trucking regions of Colorado and New Mexico also stand to make a considerable increase in their shipments of lettuce, cabbage and onions through the reduced charges made possible by the agreement.

Canada makes the following concessions on fresh fruits:

1. Reduction of the basic ad valorem duty from 20 percent to 15 percent.

2. Most minimum specific duties are canceled.

3. Valuation advances have been canceled on several classes.

4. Where valuation advances still may be levied, they must be at least 20 percent lower than heretofore. This affects apples, apricots, cantaloupes, cherries, grapes, peaches, pears, plums and prunes, raspberries and loganberries, and strawberries.

In addition to the general adjustments, which are of particular interest to peach growers of Georgia, to grape producers of New York and California, and to other areas which supply fruits to the Canadian market, the position of citrus fruit for sale in Canada has been greatly improved. The duty on grapefruit has been reduced from 1 cent to 1/2 cent per pound throughout the year, and oranges have been placed on the free list during January, February, March

and April, the months when the United States citrus areas normally ship the most. Lemons have been bound to the free list.

United States Concessions to Canada on Fruits and Vegetables

Under the trade agreement the United States makes concessions to Canada on seed potatoes, apples, cherries, strawberries, and frozen blueberries. The reduction on seed potatoes is limited to a certain volume, and with the exception of blueberries, the United States normally exports to Canada more of the other fruits and vegetables named than are received from Canada.

The concession on seed potatoes is perhaps the most important.

Under the tariff Act of 1930 the duty on all potatoes coming into the United States was placed at 75 cents per 100 pounds. That duty still stands, and the concession made in the agreement applies only to certified seed potatoes up to a maximum of 750,000 bushels during any one year beginning December 1. Up to that maximum the duty on certified seed potatoes is reduced to 60 cents per hundredweight for the months December to February, inclusive, and to 45 cents from March to November, inclusive.

The extent of Canadian potato imports into this country is shown by the fact that during the period 1929 to 1934 we purchased an average of about 2,750,000 bushels for both table and seed use. Under the terms of the Potato Control Act, imports of Canadian potatoes for all uses are limited to 2,667,000 bushels for the year beginning December 1, 1935, somewhat under the average we have been importing.

The quantity of seed potatoes that can come into this country from Canada at the lower rate of duty represents about 5-1/2 percent of the average annual domestic production of seed potatoes during the past five years. Most of the Canadian potatoes are marketed along the Atlantic coast and the Gulf States.

While the concession on seed potatoes will allow Canada to increase somewhat her exports of seed potatoes to the United States, it will be seen that total potato sales to the United States are limited under the 1929-34 average. Canada has shipped into the United States under the 75-cent tariff an average of 417,000 bushels of seed potatoes annually, the highest receipts of such potatoes, in 1931, being 550,385 bushels and the lowest in 1934, being 254,608 bushels. As the seed price level turns on the price that table potatoes are bringing, and also as it takes about a million bushels to reflect a cent of change in the table potato price, it can be seen that the general effect of the concessions on American prices will be negligible. If Canada completely filled the quota of all potatoes allowed under the Potato Act, it would amount to only about 7/10 of one percent of normal United States production.

On apples, the agreement reduces the duty from 25 to 15 cents per bushel, the duty on fresh cherries is reduced from two cents to one cent per pound, on strawberries the tariff is reduced from 1.25 cents per pound to .75 of a cent and on frozen blueberries a reduction of 29 percent in the tariff was made.

On all of these fruits, except blueberries, Canada makes a reduction in the import charge on the same fruits exported from the United States to Canada, and this country normally ships more of these fruits to Canada than are received from Canada.

Concessions were also made in the matter of turnips, cutting the charge from 25 cents to 12.5 cents per 100 pounds, and on fresh peas, a reduction effective only in the months of July, August and September cutting the duty on fresh peas from 3.9 cents to 2 cents per pound.

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